FARMERS' NEWSLETTER
Wheat

January 82/W-20

Despite low prices, high production costs, and no reduced acreage program at the time, U.S. winter wheat farmers still seeded a record number of acres for harvest this year.

Many wheat producers in the Southern Plains had completed planting before the intended 1982 reduced acreage program was announced, while others lacked information regarding participation benefits because of the delayed passage of the farm bill.

These uncertainties left the door open for producers to seed nearly 66.3 million acres, up from last year's record 65.8 million. Going into winter dormancy, the crop was rated in good to excellent condition.

This amount of acreage and early estimates of yields and harvesting percentage indicate a possible record 1982 winter wheat crop of 2.128 billion bushels, 1 percent above the 1981 harvest. In 7 of the last 10 years, the final production estimate has been higher than the December forecast.

But the real outcome of this year's harvest rests with growers' participation in the acreage reduction program and with the weather.

The Farmers' Newsletter is written and published by USDA's Economic Research Service and approved by the World Agricultural Outlook Board.

Principal contributor to this issue:
Allen G. Schienbein (202) 447-8776

The next wheat newsletter is scheduled for early April.

WINTER CROP FORECAST—ANOTHER RECORD

	1980	1981	1982[1]
	Million bushels		
Hard Red	1,181	1,116	1,256
Soft Red	435	673	616
White	279	310	256
Total	1,895	2,099	2,128

[1] Preliminary.

Although participation decisions will be heavily influenced by price and yield prospects next spring, current indications point to an overall participation rate well below the 50-60 percent rate of the most recent set-aside programs.

It's not too early to start thinking about your participation decision. Basically, you will be comparing your expected benefits from the farm program to what you give up by taking land out of production. Winter wheat farmers will be looking primarily at expected returns above harvesting costs only, since the crop is already in the ground; spring wheat producers will be looking at returns above total variable costs.

Wheat Prices Slow To Recover

The large carryover from the 1980 crop and the record 1981 harvest depressed wheat prices to their lowest early-season level in 3 years. Farm storage --particularly in the Southeast--was filled, and some producers, reluctant to incur off-farm storage costs, sold

SUPPLY AND USE REACH NEW HIGHS

	1979/80	1980/81 Preliminary	1981/82 Forecast*
		Million bushels	
Supply:			
Beginning stocks	924	902	988
Production	2,134	2,374	[1]2,750
Imports	2	2	2
Total supply	3,060	3,278	3,740
Use:			
Food	596	614	625 ± 5
Seed	101	114	107 ± 5
Feed	86	52	200 ± 50
Exports	1,375	1,510	1,900 ± 150
Total use	2,158	2,290	2,832 ± 175
Ending stocks	902	988	908 ± 180
		Dollars per bushel	
Avg. farm price	3.78	3.96	3.70-3.85

[1] Revised to 2,793 as of December 22, 1981. *As of December 11, 1981.

their crops for less than the $3.20 per bushel national average loan price.

Once the harvest glut passed, growers' marketing and inventory strategies reflected increased use of the CCC loan and reserve program. By early January, reserve placements for 1981 crop wheat had reached 115 million bushels.

Although both foreign and domestic demand for U.S. wheat continue at a record pace, prices have been slow to recover. The price weakness stems from other factors, such as high interest rates, bumper 1981 U.S. feed grain and oilseed harvests, weakening economic conditions here and around the world, and the unsettled political climate in Eastern Europe.

While a major decline in commodity markets sent many futures prices to seasonal lows in December, some recovery is expected as free supplies of wheat continue to tighten. Over two-thirds of the projected 1981/82 carryover could be isolated from the market in the reserve and Government inventory. The timing and size of foreign purchases and production prospects for the U.S. winter wheat crop will influence prices in the coming months.

This season's average farm price for wheat is likely to be below last season's $3.96 a bushel, falling between $3.70 and $3.85.

Farmers received an average of $3.66 for wheat sold during the first 5 months of the marketing year. As a result, eligible producers got a 15-cent per bushel deficiency payment for their 1981 crop. Total payment: $400 million.

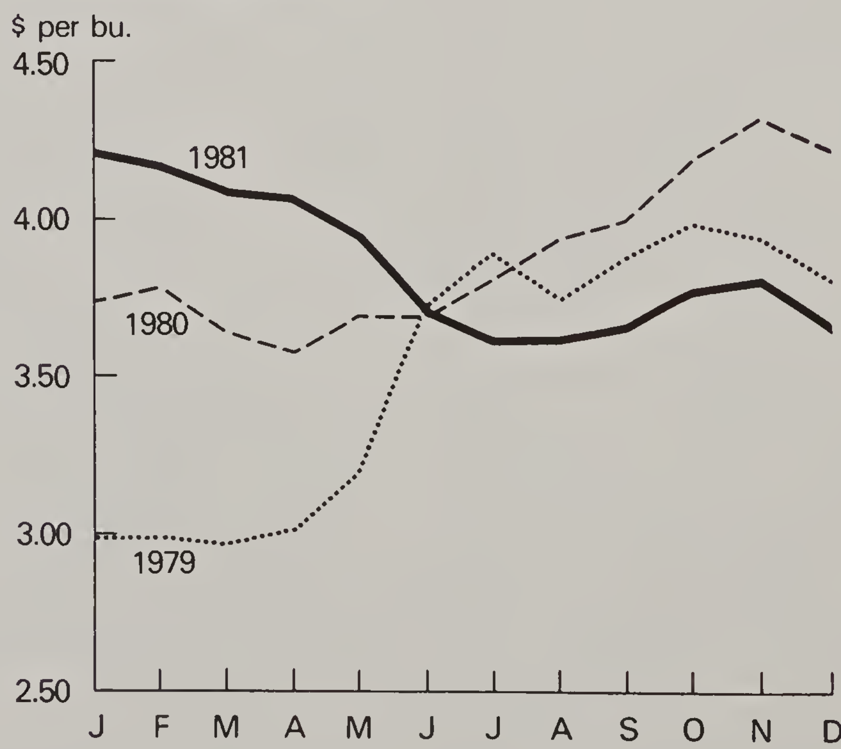
New Farm Bill Will Affect Wheat Producers

It took a lot of compromising to iron out a new four-year farm bill. Here are some major provisions that may affect your production and marketing decisions...

...Acreage Reduction

The Food and Agriculture Act of 1981 retains many of the acreage reduction

FARM PRICES FLAT



features of the old bill. These include a cropland set-aside, paid diversion, normal crop acreage, cross and offsetting compliance, and special haying and grazing provisions. Implementation is left to the Secretary of Agriculture.

The bill also authorizes a crop-specific acreage reduction program, including one intended for 1982 wheat. The program would reduce acreage by an expressed percentage of the wheat planted for harvest in the prior year. Only participants would be eligible for program benefits. The normal crop acreage and cross compliance provisions would not apply in a reduced acreage program.

Also under the new law, if a paid diversion is announced, producers need not participate to be eligible for regular and reserve loans and deficiency payments.

As in the previous farm bill, August 15th remains the date by which the announcement of either a reduced acreage or set-aside program for wheat must be announced.

...Loan and Reserve

The Secretary has the authority to set the regular loan rate at a minimum of $3.55 a bushel, and is directed to maintain a farmer-owned grain reserve program. The rate for reserve loans may be determined by the Secretary but cannot be less than the regular loan rate.

The new bill has only one release--or trigger--price, doing away with the "call" price provision of the past. This trigger price, along with storage payments and the interest rate, may be changed by the Secretary to encourage farmers' participation in the reserve program and an orderly marketing of reserve-held grain.

A cap may be placed on the wheat reserve, but it can't be less than 700 million bushels, the previous limit.

Stocks owned by CCC (from loan forfeitures and purchases) may not be sold for less than 110 percent of the trigger price, compared with 105 percent of the call level in the past.

Under emergency conditions, the Secretary may require reserve loan repayment before maturity but only after this proposal has been presented to the President and Congress for review.

...Crop Disaster Payments

Beginning with the 1982 crop, producers will not receive crop disaster payments (low yield or prevented planting) if Federal crop insurance is available in their area. An exception may be made if the loss created by the disaster cannot by alleviated by the insurance payment or other Federal assistance.

...Target Prices

The target price concept remains intact. Now, the Secretary has the discretion to increase the targets, which have been set at $4.05 a bushel for the 1982 crop and $4.30, $4.45, and $4.65, respectively, for the 1983-85 crops. Previously, target prices were adjusted each year by a formula, taking into account changes in the cost of production.

...Exports

In the event of a trade embargo affecting only agricultural products, the Secretary is directed to either raise the loan rate to 100 percent of parity for the affected commodity or make direct payments to producers for the difference between 100 percent of

U.S. GOVERNMENT PRINTING OFFICE: 1982-360-930:EMS-1060

FARMERS' NEWSLETTER

January 82/W-20

F20782HOFFM 690T 01

HOFFMAN C H
6906 40TH AVENUE
HYATTSVILLE MD 20782

To change your address return the mailing label from this newsletter with your new address to EMS-INF, Room 440 GHI, U.S. Department of Agriculture, Washington, D.C. 20250.

parity and the average market price for the 60 days immediately following the imposition of the embargo.

The Secretary is directed to formulate a standby export subsidy program to neutralize the effect of subsidies used by foreign countries. Use of this program is discretionary only after certain actions are taken by the President.

CCC Interest Rate Policy Changed

Because the Commodity Credit Corporation receives its loanable funds from the U.S. Treasury, the interest rate CCC charges to farmers for regular and reserve commodity loans will be tied to the rate charged CCC by the Treasury. Thus, the interest rate may vary depending on the month that the loan is made.

Loans issued since April 1, 1981, with an interest rate subject to semiannual change, had their rate adjusted down to 12.25 percent beginning January 1. These loans previously carried a 14.5-percent interest rate. Since the rate charged by CCC has steadily declined from a peak of 16.75 percent in October, farmers should benefit from this downward trend.

This new policy and the current interest rate trend should be taken into consideration when you make future marketing decisions, including those involving unsold 1981 crops. But remember, March 31 is the deadline for 1981-crop loans.

The 1981 Handbook of Agricultural Charts is now available from the Government Printing Office. The handbook contains 290 graphic illustrations on various agricultural subjects ranging from farm income and expenses to consumer costs, and from energy production and use to commodity trends. To get your copy of the handbook, send $5 per copy to Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

FARMERS' 900 NEWSLINE

900-976-0404

50¢ Per Call
U.S. Department of Agriculture